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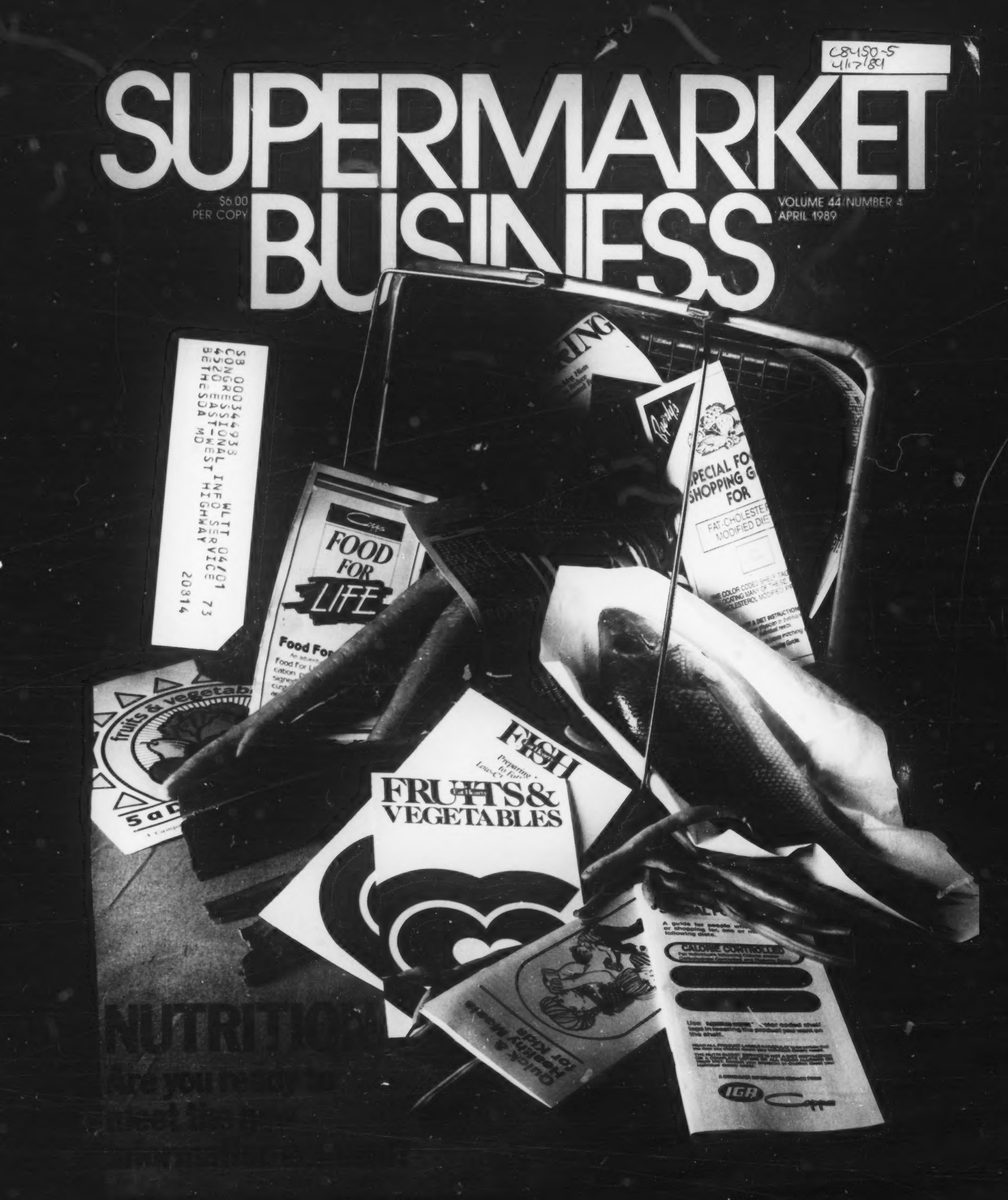

# SUPERMARKET BUSINESS

APRIL 1989 VOLUME 44/NUMBER 4


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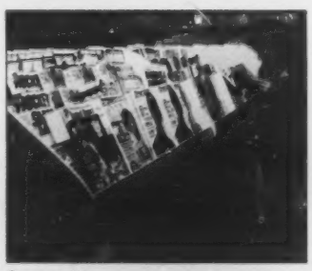

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By Ken Partch, Editor-in-Chief

## Waiting For The Other Shoe ...

There is a lot of confusion out in the marketplace, but in some ways things are beginning to become clear. Take the recent moves by Kellogg's and Gerber to provide price protection by sending out checks *in advance* of the planned price increases, based on average previous case movement over a set period of time.

Most of the conversation about these moves centered on whether or not Kellogg's choice of three weeks or Gerber's seven weeks was the correct time frame. Almost none was about why these checks should be accepted at all, since isn't this establishing a precedent that might be applied to price promotions in future, and isn't this an implied form of product allocation and an actual limit on forward buying?

An awful lot of questions come to mind. Such as: What companies will be next to join the practice? Can they make it stick? Wholesalers are screaming that they need forward buying in order to make ends meet. Hank Greenberg, president and CEO of Certified Grocers of Illinois, says his head buyer has a fax machine in his bedroom so as not to miss an hour or a minute on a deal. Hank told this to the audience at the Distributor/Supplier Forum at the NAWGA annual meeting last month in Nashville. Hank assured me later that he wasn't kidding—he meant it literally.

Be that as it may, if the economy goes into recession rather than serious inflation, forward buying could become a lot less attractive, unless we continue with Alice-in-Wonderland marketing, where we make our "shortages" and oversupplies, and our own inflation. It would take a lot of help from OPEC and its friends to achieve another round of inflation *and* recession.

While these strange and portentous events have been happening, the Federal Trade Commission, you may recall, has asked for comments on planned revision of its Guidelines for Advertising Allowances. Specifically, it wants comments on its suggestions to revise the Guidelines which would, in effect, revise the Robinson-Patman Act to eliminate the proportionately equal treatment of buyers in manufacturers' promotions, and would permit sellers to reward customers on the basis of a promotion's *value* to the seller.

> One wonders to what pressures FTC is responding in wishing to weaken and eliminate guidelines to Robinson-Patman that it almost never enforces, anyway.

Naturally, NGA and NAWGA have said no to that suggestion. Procter & Gamble, Pillsbury and the Grocery Manufacturers of America have also said no to changing the Guides on the proportionately equal requirement. They also said no to FTC Chairman Oliver's proposal to change a Guide that gives warning to customers that an inducement of discriminatory allowances or services is *per se* illegal, and gives rise to liability on their part as well as the seller's.

The FTC staff proposed a change in one of the Guides to eliminate this sentence: "Also, the purchase of displays or shelf space whether directly or by means of so-called allowances may be considered an unfair method of competition ..." GMA disagrees, stating: "... in today's world, competition usually suffers as a result of such demands. The increasing concentration of power in large buyers is increasing their demand for payment for obtaining space on shelves. Some of these payments are quite large. What is happening is that instead of enhancing competition, new barriers to entry are being erected, foreclosing the smaller underfunded, newer competitor while increasing the market power and dominance of the established, entrenched, well-funded competitor."

(One wonders to what pressures FTC is responding in wishing to weaken and eliminate guidelines to Robinson-Patman that it almost never enforces, anyway. Perhaps it is simply embarrassing to have them around.)

But on to greater questions. For example, I asked the same NAWGA panel a hypothetical question: How would you feel about a requirement or an agreement in principle that after any manufacturer's price promotion there would have to be a return to the "regular" price for a stipulated period of time before the next price promotion could be launched? At first, the panel seemed confused by the question. So I rephrased it so that I was clearly suggesting that deal-to-deal buying with no restriction on case quantity be eliminated. Now this did produce some small response as to how this was impossible with forward buying in a free market. Exactly. But with unrestricted forward buying there really is no "regular" price; there is only the "market" price.

The point here is that we are not now talking about price protection when prices are expected to rise. We are talking about *artificial* buying opportunities not passed on, with no performance required, and

*Continued on page 8*

instore BUSINESS

## SEVENTH ANNUAL OPERATIONS REPORT

# SERVICE BAKERY REVIEW

***Over 6 billion sold* may sound like a fast food slogan, but it's really the dollar sales of the instore bakery in 1988—a year that saw the department's largest sales increase ever!**

BY DAVID LITWAK, DIRECTOR OF RESEARCH

There's a story that needs telling in the instore bakery department. It's a story that deals with a department, or rather, a concept. A concept about how a certain type of food can be merchandised, and purchased. The headlines may deal with the sales, but the story tells what built those sales, and why America's shopping habits have changed, at least a little bit.

Saying that 1988 was a good year for instore bakery sales is similar to saying Babe Ruth could handle a bat, or that you could toast marshmallows on the sun's surface. To put it succinctly, 1988 was probably the best year for the department since the first oven made its appearance in a grocery unit.

Everything pertaining to supermarket bakeries seemed to grow last year. That growth either kept pace with, or exceeded, the previous year's growth rate for virtually every aspect of the department. Leading the way were sales.

Sales, perhaps everyone's favorite retail barometer, grew a phenomenal 27.8 percent, topping the $6.11 billion mark during the last year, as opposed to $4.78 billion the year before.

What accounts for the largest growth year in instore bakery history? The fuel for the burst of fire under the bakery department can be explained by examining several different factors—physical and societal, substantial and subtle. Chief among the physical reasons are opportunity and proximity.

Operators realized that the instore bakery, as fully developed as it already was, still presented a wealth of untapped opportunities, in terms of drawing capacity for the store, further profit potential and sheer merchandising possibilities.

In response to these opportunities, retailers continued to add bakeries to new stores and to their remodels. The rate of new department installations has been steady for the last two years, about 6.3 percent a year. With last year's new units in place, there were 20,040 opportunities for patrons to make purchases from a supermarket bakery.

The addition, in 1988, of almost 1,200 new bakery units means that there is one within reach of most of America's shoppers. This is significant for two reasons: first, more and more consumers now have the opportunity to shop an instore bakery within close proximity to their home; second, with a bakery section in 65 percent of all supermarkets, they have become commonplace.

### Raising shoppers' consciousness

Having supermarket bakeries virtually everywhere, while taking some of the excitement out of the concept, has the effect of raising shoppers' consciousness of the sections. It can be argued that by becoming more common, instore bakeries have become more accepted. Shoppers who once considered it a novelty to buy something at the supermarket bakery are beginning to purchase instore baked products out of habit.

The sheer number of instore bakeries means that they're in a position to compete for the baked goods dollars in almost every corner of the country. Any instore unit that goes into a locality begins to gather some share of the baked products market that was previously shared by specialty bakers, home baking, packaged goods and other instore bakeries.

Those units that go into areas that have little or declining population growth, with other instore bakery units already there, will wind up mainly resplitting the existing instore bakery sales. Those that are put into growing areas, or areas with few existing instore units, will generate new sales dollars into the total instore bakery sales figures. *Continued on page 2A*

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LABOR & SERVICE 9A
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The number of units alone cannot explain the incredible rise in instore bakery sales. The number of units rose 6.3 percent, while total sales climbed at a much higher rate. The additional units, if they were the only reason for the increase, would have raised sales proportionally to the percentage increase in the number of units. For instance, a 6.3 percent jump in units should have increased sales from the 1987 level of $4.78 billion to a 1988 level of $5.08 billion, not the $6.11 billion that was the actual figure for the year.

The answer, in part, lies within the sales of the individual units. Weekly sales per instore bakery rose dramatically last year. In 1988, the average instore bakery had weekly sales of $5,868, which was a 20.3 percent increase over 1987's level of $4,875. Each bakery unit is reporting, on average, $1,000 more in sales in 1988 than it did in 1987.

Eighty-six percent of the retailers participating in the INSTORE BUSINESS Seventh Annual Bakery Review report that their bakery sales were higher last year. The mean increase these retailers reported was 19 percent. The increase ranged from a low of 3 percent to a high of 43 percent, indicating that the levels of department establishment and maturity can vary greatly from one operator to another.

**What makes a unit perform**

Before going any further, it should be pointed out that by no means did all supermarket bakeries have stellar years in 1988. Some bakeries did not have 20 percent sales increases, as the range of reported sales points out. As a matter of fact, about seven percent of the bakery units in operation last year showed no sales gains over 1987 levels, while another seven percent actually had lower sales last year.

The real question is what makes the individual instore bakeries perform better now than they did a year or two before? Physical factors are easier to talk about; they've been well charted during the seven years that INSTORE BUSINESS has been compiling this review. Each unit is physically made up of facilities,

*Continued on page 16A*

# BAKERY CENSUS

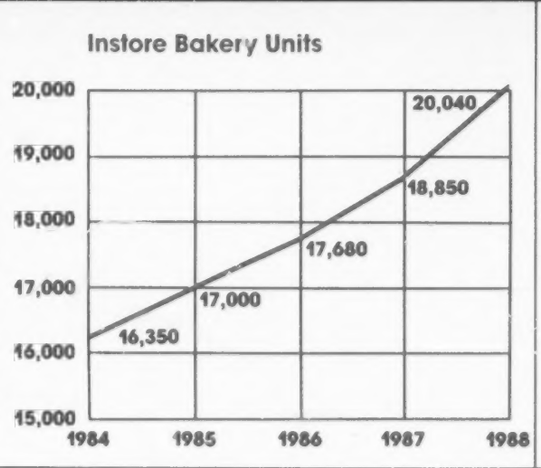
## In 1988, instore bakeries earned more sales dollars than ever before, as the number of units grew. They are now in 65 percent of all supermarkets, and are becoming the bakery of choice for more people than ever before.

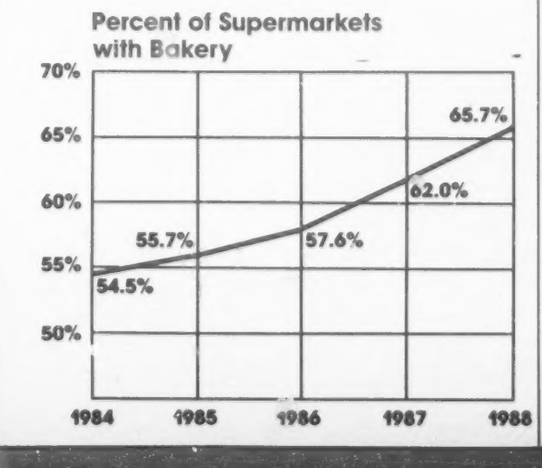
**The year 1988 certainly belonged to bakeries. The number of units increased by 6.3% to reach an all-time high of 20,040 instore bakeries. With units operating in 65% of all supermarkets, sales of fresh bakery products skyrocketed.**

**Instore bakery sales topped $6.1 billion last year, recording the largest increase in the brief history of the department. Sales were up by 27.8%. The gain may represent a fundamental change in the way consumers purchase baked goods.**

**Is Portion of Store Overhead Allocated Back to Instore Bakeries?**

| | |
|---|---|
| Yes | 52% |
| No | 48% |
| Total | 100% |





# BAKERY SALES, MARGINS & PRODUCT MIX

Instore bakery profitability was up last year. The department now accounts for almost five percent of total store profits. Most retailers would agree that a department that can increase sales and bring in five percent of the bottom line was worth the investment in space and labor.

## Average Weekly Sales

Mean **$5,868** Median **$5,100**

## Weekly Sales By Format

| | Mean |
|---|---|
| Super Store | **$9,691** |
| Superwarehouse Store | **$6,145** |
| Conventional | **$4,667** |

## Change in Dollar Sales

(1988 vs. 1987)

| | |
|---|---|
| Higher | **86%** |
| No change | **7** |
| Lower | **7** |
| Total | **100%** |
| Average Reported Increase | **19%** |

## Share of Total Store Sales

Mean **2.9%** Median **2.7%**

## Percent of Total Sales by Format

| | |
|---|---|
| Super Store | **2.7%** |
| Superwarehouse Store | **2.2** |
| Conventional | **4.0** |

## Contribution to Store Profits

Mean **4.9%** Median **5.1%**

## Percent of Store Profits

| | |
|---|---|
| Less than 3.0% | **25%** |
| 3.0–4.9 | **23** |
| 5.0–6.9 | **10** |
| 7.0 or more | **42** |
| Total | **100%** |

## Gross Margin

Mean **54.9%** Median **57.3%**

| | |
|---|---|
| Less than 40% | **19%** |
| 40-49 | **29** |
| 50-59 | **25** |
| 60 or more | **27** |
| Total | **100%** |

## Bakery Items/Lines Most Frequently Dropped or Decreased

- Doughnuts
- Danish
- Croissants

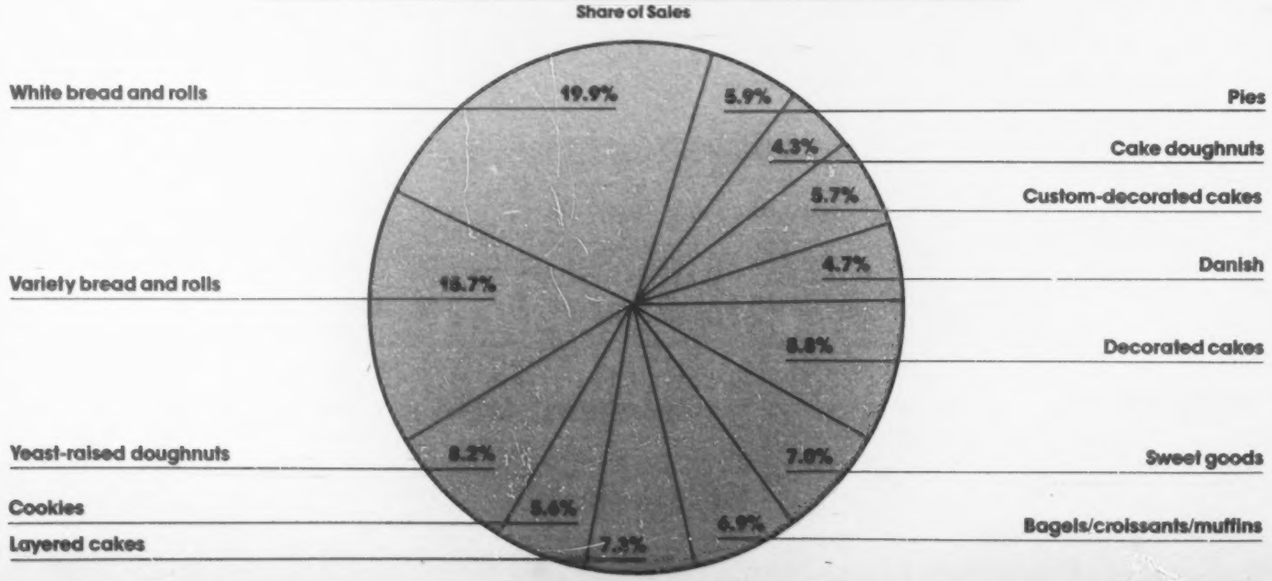
## Bakery Items/Lines Most Frequently Added or Increased

- Muffins
- Cookies
- Oat Bran Products
- Grain Breads
- Puff Pastries

Everything about the instore bakery picture was up in 1988. Average weekly sales of the department rose to a new high of $5,868. Increases in weekly sales were seen among bakeries in all store formats. The share of total store sales coming from the section also rose, reaching a level of 2.9%. Bakeries are becoming more and more important to store profits, contributing 4.9% of total store profits, and having average gross margins of 54.9%.

Products offered by the department continue to evolve. While bread and rolls still account for 35% of the department's sales, the influence of these products is not as great as it once was. Slowly, more dessert items, especially decorated cakes and doughnuts, have increased their share of the sales mix. Emphasis, in terms of production, has been placed more on these items, and less on the bread and rolls.

## Portioning Out the Instore Bakery Sales Dollar



# BAKERY LABOR & SERVICE

Despite the addition of an extra employee in most bakery departments, sales per employee rose last year. Higher sales, coupled with small increases in department labor, have helped keep the labor/sales ratio down in the bakery.

The increase in bakery sales has necessitated the addition of an extra full-time equivalent employee in the average bakery unit. With an increase in production capabilities, the cost of this extra employee is easily absorbed by product sales. The cost of labor as a percent of sales has decreased, plummeting more than 2 percentage points to 31.2%, from the high point of 33.9% a year before.

Retailers are pleased with the current levels of service in their instore bakeries. The average employee spends about 41% of his time engaged in customer service. In the future, more products will probably be offered as packaged, self-service items.

## Number of Employees

| | |
|---|---|
| Full Time | 4.6 |
| Part Time | 6.6 |
| Full Time Equivalent* | 7.9 |

## Full-Time Equivalent Employees

| | |
|---|---|
| 1–3 | 12% |
| 4–5 | 13 |
| 6–7 | 43 |
| 8–9 | 22 |
| 10 or more | 10 |
| Total | 100% |

*2 part-time = 1 full-time employee

## How Much for Labor

(Labor as a Percent of Instore Bakery Sales)

| | |
|---|---|
| Mean | 31.2% |
| Median | 29.6% |
| Under 26% | 15% |
| 26–30 | 42 |
| 31–35 | 17 |
| 36–40 | 16 |
| Over 40 | 10 |
| Total | 100% |

## Cake Decorating

Percent of Stores Offering

| | |
|---|---|
| Offer | 81% |
| Do not offer | 19% |

## Time for Prep and Service

Breakdown of Labor Hours

| | |
|---|---|
| Customer service | 41% |
| Other (incl. prep) | 59 |
| Total | 100% |

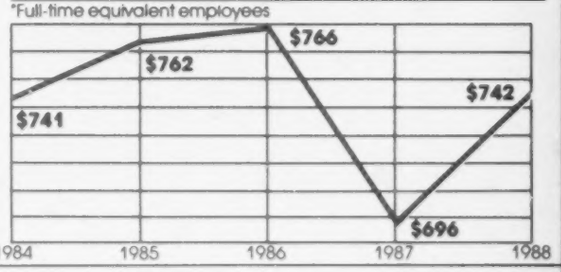
## Average Weekly Sales Per Employee*

| | |
|---|---|
| Mean | $742 |
| $500 or less | 6% |
| $501–$750 | 36 |
| $751–$1,000 | 43 |
| Over $1,000 | 15 |
| Total | 100% |

*Full-time equivalent employees

## Average Weekly Sales Per Employee*

*Full-time equivalent employees




## Self-Service Equipment

Percent of Stores That Have

| | |
|---|---|
| Display tables for packaged self-service | 96% |
| Self-service racks (or shelves) without doors | 66 |
| Roll bins with tongs for self service | 48 |
| Self-service racks with glass doors | 41 |
| Free-standing self-service racks (on wheels) | 38 |
| Self-service refrigerated cases | 31 |

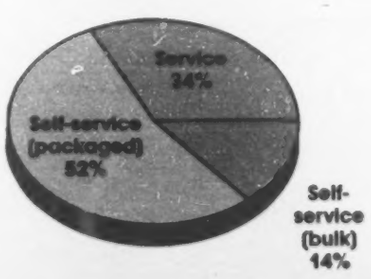
## Service vs. Self-Service

Percent of Stores Offering*

| | |
|---|---|
| Service | 80% |
| Self-service (packaged) | 100 |
| Self-service (bulk) | 43 |

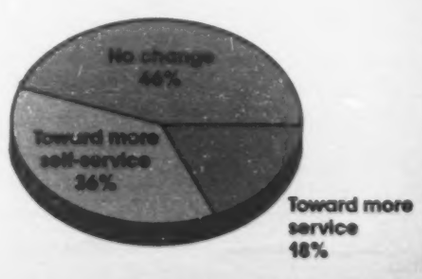
*NOTE: Includes multiple answers

Percent of Instore Bakery Sales




## Trends in Service

Direction Instore Directors Expect Their Operations to Move



# BAKERY SPACE, LOCATION & EQUIPMENT

The growth in total department sales was able to push sales per square foot of space ($3.81), despite a 12 percent increase in the size of the average unit in 1988. The bakery is expanding to include more prep equipment and more cases for self-service products.

## Size of Department

### Square Feet of Space

| | |
|---|---|
| Mean | 1,539 Square Feet |
| Median | 1,625 Square Feet |

### Square Feet by Format

| | |
|---|---|
| Super Store | 2,300 |
| Superwarehouse Store | 2,200 |
| Conventional | 850 |

### Share of Total Store Space

| | |
|---|---|
| Mean | 5.1% |
| Median | 5.2% |

### Percent Share by Format

| | |
|---|---|
| Super Store | 5.4% |
| Superwarehouse | 3.8 |
| Conventional | 4.8 |

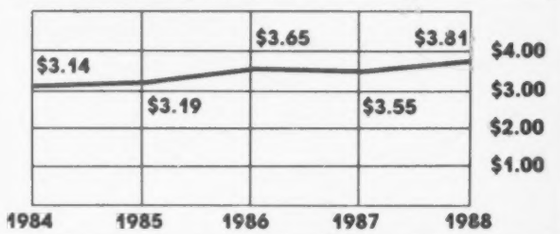
### Average Weekly Sales Per Square Foot of Space

| | |
|---|---|
| Mean | $3.81 |

### Average Weekly Sales Per Square Foot of Space by Format

| | |
|---|---|
| Super Store | $4.21 |
| Superwarehouse | $2.79 |
| Conventional | $5.49 |

### Average Weekly Sales Per Square Foot of Space

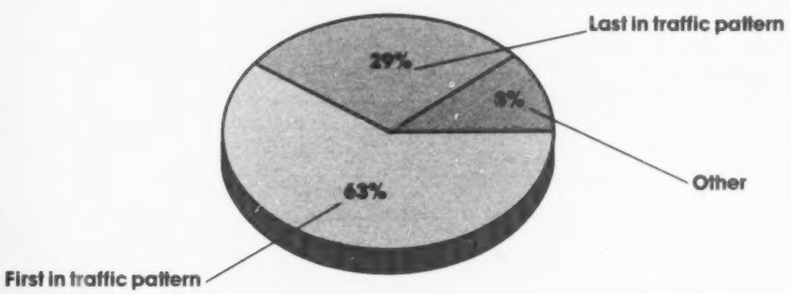



Bakery units continue to get bigger. Last year the average unit took up 1,539 sq. ft. of store space, with units in super stores occupying 2,300 sq. ft.. This generally represents about 5% of the total store.

Each sq. ft. last year brought in sales of $3.81, which is an increase of 8.5%. Did the extra space available help increase the sales per square foot, or would sales have increased anyway, with the extra space only bringing down the sales per foot figure?

With the sophisticated array of equipment that most bakery prep areas now contain, the space is well suited for full-scale bakery production. Operators seem to be more selective in choosing which type of products they will use the equipment on, and which products they will bring in or bake off. Bake-off, while simplifying the production process, can sometimes require more sophisticated equipment to properly control the bake-off process.

## Preferred Location for Bakery

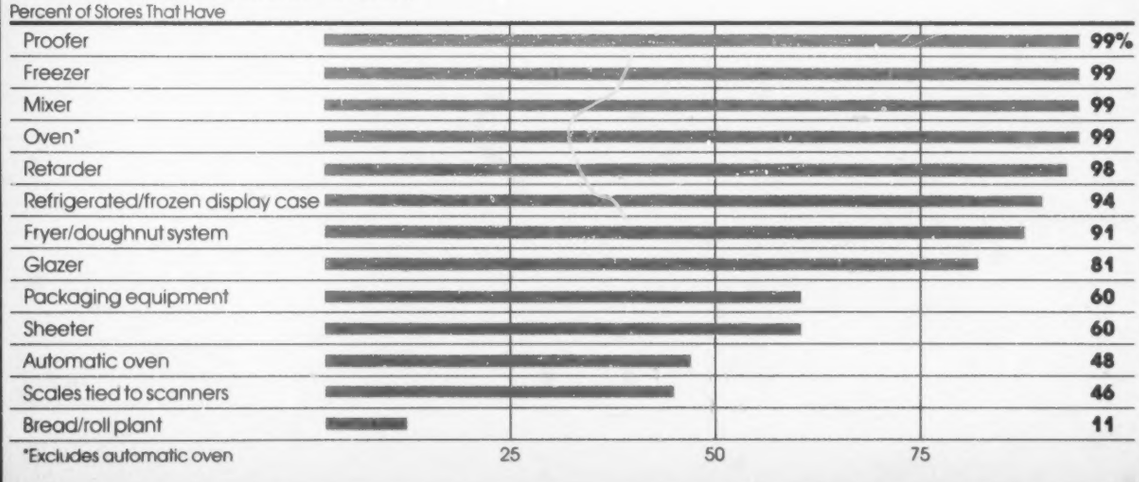



## The Delibake Concept

| Stores Combining Delis and Bakeries into a Joint Delibake Department | |
|---|---|
| Joint delibake | 30% |
| Separate departments | 70 |
| Total | 100% |

## The Well-Equipped Instore Bakery

Percent of Stores That Have




*Excludes automatic oven

## Location of Bakeries by Store Format

| Percent Located in: | |
|---|---|
| Conventional | 48% |
| Super Stores | 38 |
| Super Warehouse | 14 |
| Total | 100% |

# BAKERY PRODUCTION & SUPPLY

While everyone talks scratch, bake-off is still dominant. Whether it's a matter of economics, or time and available skill, the majority of retailers would still rather that someone else do the work. Bake-off, while declining significantly over the years for a number of product categories, is still the major method of production.

If your bakery units are going to produce specialty breads and roll items, you'll probably be baking them off. Bagels, croissants, pies, and bread and rolls are among those items that are most frequently baked off. Mixes dominate the doughnut and muffin categories. Scratch, while gaining prowess among sweet goods, brownies and cookie categories, is still more talked about than actually done.

More and more bakery ingredients are now coming through the grocery warehouse. Last year, 60% of all baking ingredients were supplied through warehouses. While scratch ingredients and mixes are more likely to be bought through bakery distributors or suppliers, bake-off products are as likely to come through a traditional grocery wholesaler (48%), as from a bakery supplier (45%).

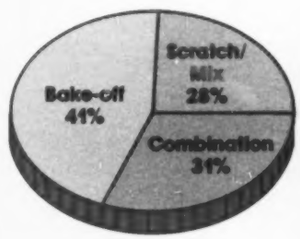
## Methods of Production*

*NOTE: Includes multiple answers

| | Bake-off | Mix | Scratch |
|---|---|---|---|
| Bread and rolls | 70% | 39% | 34% |
| Yeast-raised doughnuts | 55 | 59 | 11 |
| Cake doughnuts | 30 | 75 | 9 |
| Sweet goods | 64 | 36 | 25 |
| Cookies | 70 | 14 | 39 |
| Pies | 82 | 8 | 20 |
| Layered cakes | 55 | 52 | 14 |
| Croissants | 80 | 9 | 15 |
| Brownies | 61 | 43 | 25 |
| Bagels | 91 | 5 | 3 |
| Muffins | 43 | 61 | 14 |

## Major Method of Production

Percent Using




## Suppliers to Instore Bakeries

Percent Using*

| | Bakery Distributor/ Supplier | Grocery Wholesaler | Ingredients Manufacturer | Wholesaler Baker |
|---|---|---|---|---|
| Bake-off | 45% | 48% | 23% | 5% |
| Mix | 68 | 18 | 39 | 2 |
| Scratch | 57 | 23 | 35 | 3 |

*NOTE: Includes multiple answers

## Warehouse vs. Direct Delivery

Percent of Baking Ingredients Supplied

| | |
|---|---|
| Through warehouse | 60% |
| Direct to stores | 40 |
| Total | 100% |

# BAKERY MERCHANDISING & CUSTOMERS

Whether it's the aroma, product mix, or price, the instore bakery has managed to significantly increase its customer base. Last year, more than one of every four store customers did make a purchase from the bakery. This was an increase of almost 10 percent over 1987.

Sampling still remains the most often used, and reportedly the most effective, promotion technique used by bakery units. Along with sampling, point-of-purchase materials, as well as newspaper ads, have helped bakery units increase traffic. These gains are all the more significant because they came at a time when advertising for bakeries decreased. Last year, 36% of operators reported spending a greater amount on bakery advertising than the department's share of sales; previously, 46% of retailers did so.

## How Supermarket Customers Spend

Percent Who Shop the Instore Bakery

Mean **27.3%** Median **27.9%**

How Much They Spend

Mean **$1.82** Median **$1.67**

## Advertising and Promotion Sell Instore Bakery

Percent Using

| | |
|---|---|
| Sampling | 96% |
| Newspapers | 89 |
| Point-of-purchase | 80 |
| Circulars | 67 |
| Radio | 38 |
| Television | 23 |

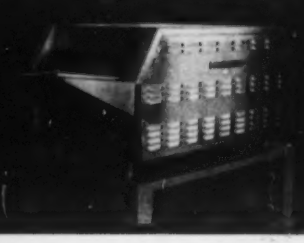
## Bakeries' Share of Ad Space Compared to Share of Sales

| | |
|---|---|
| Greater | 36% |
| Less | 24 |
| Equal | 40 |
| Total | 100% |

## Do You Consider Your Bakeries

| | |
|---|---|
| Image/Traffic Builders | 13% |
| Profit Centers | 11 |
| Both | 76 |
| Total | 100% |

# A Short Course In Hot Food Merchandising



## Build Traffic With Volume and Variety

Bake pizza, or bagels, or appetizers, cookies, or biscuits from scratch or frozen dough right on your countertop. The Model SC-18 (18") electric countertop oven is a true bake oven, not a redesigned toaster. It features independent phase-controlled top and bottom heating systems. You can even do cheese melts. We'll help you get started.

BAKERS PRIDE (800) 431-2745 In NY (914) 576-0200
Call and ask for "The Supermarket."

## Start A Profitable Hot Pizza Program

We can help you keep your equipment costs low, your space requirements minimal. These ovens will fit in 4 square feet or even far less. The bigger P-44 can hold four 16" pizzas, even those baked from fresh dough. The PX-14, which fits in about 2 square feet, will bake off a 12" pie. You can finish other products like croissants and cookies, too. We'll help all the way with advice and guidance.

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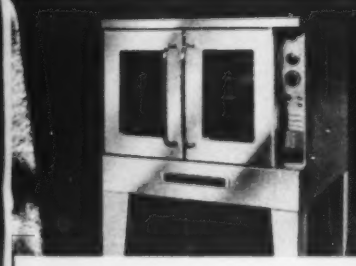

## Roast A Side of Beef

Eighty pounds at a time with low shrinkage. The Model X-700 convection oven is not a standard lightweight, but a heavy duty production unit designed to bake or roast tons of food for years and years. The Convection-Flo® System assures improved heat distribution, reduces pie crust edge burning. Heavy duty design and careful engineering will keep it operating reliably. We'll help you with merchandising ideas.

BAKERS PRIDE (800) 431-2745 In NY (914) 576-0200
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all for product or production information. We're here to help
u! Call and ask for "The Supermarket." (800) 431-2745 or in
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BAKERS PRIDE

Supermarket/C-Store Division
Bakers Pride Oven Co., Inc.
30 Pine Street
New Rochelle, NY 10801

FREE COLOR BROCHURE AVAILABLE

SEE OUR DISPLAY AT FMI SHOW BOOTH 9031






## BAKERY REVIEW

**Continued from page 2A**

products, labor and merchandising, all of which interact to attract customers.

The physical plant of the average bakery is bigger, and more well developed than in years past. Last year saw an increase in the size of the bakery units. The average unit grew by 9 percent, to 1,539 square feet, including customer service and prep areas. Across the board, the bakery occupies just about 5 percent of the space in most super stores and conventional units, with slightly less proportional space in super warehouses.

As the stores grow, so too does the bakery, both in the back and front sections of the department. That means more areas to display products, more self-service areas, more variety of products in those displays, and more room and equipment to produce those products.

### Making the product

A word about producing the goods. The physical realities of making quality, profitable products sometimes blend with the emotional or psychological factors that influence customer purchase behavior. Everybody is always talking scratch and merchandising scratch. Customers perceive scratch as being the best way to make a bakery product. Any other way is viewed as somehow less than completely fresh, or quality-oriented.

The physical reality is that scratch is often *not* the best way to produce most products. The fact is that the majority of instore bakery products are produced either by bake-off, or by mix. Categories such as bread and rolls, and bagels, croissants and pies are primarily bake-off. The time, economics and labor involved necessitate other than scratch preparation.

Labor is still the biggest factor governing bakery operations, and is certainly the major determinant of production method. Labor savings helped push up bakery profitability in 1988. While the number of employees in the bakery was increasing—an average bakery now employs 7.9 full-time equivalent employees—the cost of those employees was declining.

It now costs the average bakery 31.2 percent of its sales to pay for labor costs. This is down 8 percent from the previous year. Labor costs are lower because of increased sales of self-service products, and the more sophisticated production methods and equipment that are available to bakers today. Even with more employees, the average weekly sales per employee in the bakery shot up to $742 last year.

With labor costs down, and sales way up, things look very rosy for profits. The instore bakery last year had a very good profit-to-sales ratio. The average bakery accounted for 2.9 percent of store sales in 1988, which, in turn, contributed 4.9 percent of the total store profits. Bakery products carry high gross margins (54.9 percent).

### Nonphysical factors

Retailers are becoming successful in developing bakery purchase habits in some consumers, switching the customers' habits from whatever baked products they had been buying previously.

Product mix is one way the retailer tries to develop buying habits. Constantly changing products to introduce new ones, while keeping old, familiar products are ways operators are building loyalty, while still generating excitement in the departments.

Keeping abreast of consumer trends and responding to them quickly helps to ensure success. For instance, oat bran products were among the most frequently added bakery products last year, keeping in step with what consumers were looking for.

Most merchandising and promotion is done at the unit. Sampling and point-of-sale are the most used forms of promotion, along with newspaper ads.

One indication that the operators are doing a good job is that 27.3 percent of store customers made bakery purchases last year. This is an improvement over the 24.9 percent of the year before. Even though the average transaction amount was the same — $1.82—the additional number of transactions helped raise sales.

Higher sales were also a result of an increased number of bakery units, and a gain in the number of shoppers who made purchases at each unit. IB